

Message Text

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ARA-06 EA-07 NEA-10 ABF-01 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 INRE-00 PM-04 H-02 INR-07 L-03

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VIENNA FOR UNIDO

E.O. 11652: N/A

TAGS: AORG, UN

SUBJECT: UNGA FIFTH COMMITTEE - CURRENCY FLUCTUATIONS AND
UN BURDENSHARING

REF: USUN 4798

1. THERE FOLLOW TALKING POINTS, PREPARED BY THE OFFICE OF
MONETARY AFFAIRS, FOR USE AT USDEL'S DISCRETION IN REBUTTING
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THE CUBAN DRAFT RESOLUTION ON THIS SUBJECT.

2. CUBAN POSITION.

FLUCTUATIONS IN EXCHANGE RATES CAUSE SUBSTANTIAL LOSSES IN THE BUDGETS OF UN ORGANIZATIONS HEADQUARTERED IN DEVELOPED COUNTRIES, WHICH ARE CURRENTLY DEFRAYED BY ALL UN MEMBERS BELONGING TO SUCH ORGANIZATIONS. THEREFORE, DEVELOPED COUNTRIES WHERE THESE ORGANIZATIONS ARE LOCATED SHOULD ESTABLISH FIXED EXCHANGE RATES, FROM JANUARY 1, 1978, FOR THE FOREIGN EXCHANGE TRANSACTIONS OF THOSE ORGANIZATIONS, IN ACCORDANCE WITH THE EXCHANGE RATES PREVAILING IN THE MARKET ON THAT DATE, FOR WHICH THOSE ORGANIZATIONS MAY OPT IN CARRYING OUT THEIR FOREIGN EXCHANGE TRANSACTIONS.

3. U.S. REBUTTAL

A. MANAGED FLOATING EXCHANGE RATES HAVE SERVED THE WORLD WELL BY ALLOWING CURRENCIES TO ADJUST TO UNDERLYING ECONOMIC AND FINANCIAL CONDITIONS.

B. FLOATING RATES ARE NOW AN INTEGRAL PART OF THE INTERNATIONAL MONETARY SYSTEM.

C. THEY ARE SPECIFICALLY ALLOWED BY THE PROPOSED NEW RULES OF THE INTERNATIONAL MONETARY FUND AGREED TO BY 128 MEMBERS OF THE IMF AT JAMAICA IN JANUARY 1976.

D. THE UNITED STATES WOULD FIND IT UNACCEPTABLE TO ESTABLISH A FIXED EXCHANGE RATE FOR TRANSACTIONS WITH SOME UN ORGANIZATIONS WHEN FIXED RATES ARE NOT THE NORM IN OUR OTHER INTERNATIONAL TRANSACTIONS.

E. SUCH RATES AS DO PREVAIL IN THE FUTURE WILL BE DETERMINED LARGELY BY MARKET CONDITIONS.

F. WE CANNOT, FOR EXAMPLE, PREDICT WHAT EXCHANGE RATE RELATIONSHIPS FOR THE DOLLAR WILL PREVAIL ON JANUARY 1, 1978, WHEN THE CUBAN DELEGATION RECOMMENDS WE ESTABLISH A FIXED RATE RELATIONSHIP WITH UN ORGANIZATIONS HEADQUARTERED IN THE UNITED STATES.

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G. AND, SIMILARLY, WE DO NOT KNOW HOW EXCHANGE RATES WILL EVOLVE THEREAFTER. THEY MAY, FOR INSTANCE, RESULT IN A MOVEMENT WHICH WOULD BE ADVERSE TO THE UN ORGANIZATIONS IN QUESTION IF THEY WERE OBLIGED TO STICK WITH THE PROPOSED FIXED RELATIONSHIP SUGGESTED FOR JANUARY 1, 1978.

H. THE UNITED STATES, OR ANY OTHER COUNTRY, WOULD BE

FOOLHARDY TO ACCEPT A SITUATION IN WHICH THERE WERE TWO POSSIBLE RATES FOR ITS CURRENCY AND AN INTERNATIONAL ORGANIZATION COULD ALWAYS CHOOSE THE PREFERRED RATE. THIS IS ESSENTIALLY WHAT THE CUBANS PROPOSE. IT IS ALSO UNACCEPTABLE.

I. WE BELIEVE THAT COUNTRIES SHOULD TAKE SOUND ECONOMIC POLICY DECISIONS TO INSURE THE STRENGTH OF THEIR ECONOMIES AND THEREFORE PROTECT THE RELATIVE VALUE OF THEIR CURRENCIES.

J. ARTIFICIAL MEASURES SUCH AS SUGGESTED BY THE CUBAN DELEGATE CANNOT PROTECT A COUNTRY AGAINST THE LOSS OF PURCHASING POWER OF ITS CURRENCY DUE TO UNDERLYING ECONOMIC AND FINANCIAL CONDITIONS.

K. TO ACCEPT THE CUBAN PROPOSAL WOULD: (1) CONFLICT WITH THE OBJECTIVES OF INTERNATIONAL MONETARY REFORM, (2) PLACE AN UNACCEPTABLE BURDEN ON ANY DEVELOPED COUNTRY ACCEPTING SUCH A SCHEME, AND (3) FAIL TO PROTECT THE PURCHASING POWER OF CURRENCIES AGAINST THEIR REAL VALUE IN THE MARKET PLACE.

L. IN ITS DELIBERATIONS ON THE TRIENNIAL SCALE OF ASSESSMENT, THE UN IMPLICITLY TAKES INTO CONSIDERATION THE EFFECT ON DIFFERENT COUNTRIES OF RELATIVE CURRENCY CHANGES.

M. EQUITY WOULD CERTAINLY BE VIOLATED IF SIMPLISTIC, ARBITRARY REVISIONS OF PAYMENTS BURDENS OCCURRED OUTSIDE OF THE TRIENNIAL ADJUSTMENT OF THE SCALE OF ASSESSMENTS.

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